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SUBJECT: LATVIA'S ELECTIONS: LITTLE CHANGE BUT SOME SURPRISES

Ref: A) Riga 761 B) Riga 762 C) Riga 792 D) Riga 802

11. Summary: Latvia's October 7 parliamentary elections provided an endorsement for the current minority government of PM Aigars Kalvitis. The three parties in the current coalition won 51 seats in the 100 seat Saeima (parliament), although they will likely invite in a fourth party to add to the coalition's majority. Kalvitis will almost certainly remain as PM and little change in policy is expected as a result of the election. Center-right, anti-corruption New Era did much better than polls had suggested, but is likely to remain outside of government as it continues to feel the effects of its decision to leave government last April. The big surprise in the election was the unexpected success of the leftist, Russian-oriented Harmony Center party and the poor showing by its cousin PCTVL. In a change from previous elections where there was significant segmentation between Latvia's two major ethnic groups, Harmony Center appears to have drawn a significant number of ethnic Latvian voters (25 - 33 percent of its votes) and the conservative First Party appears to have done similarly well among ethnic Russians. The new parliament will take office November 7, although the current ministerial lineup could stay in place through the NATO summit at the end of November. End summary.

12. Sixty-two percent of Latvia's 1.44 million eligible voters turned out on October 7 to vote for their representatives in the Saeima. With all votes counted and adjusting for the results in each of the country's five multi-member districts, the Peoples' Party (TP) won 23 seats, Greens and Farmers (ZZS) 18, New Era (JL) 18, Harmony Center (SC) 17, First Party (LPP) 10, Fatherland and Freedom (TB) 8, and For Human Rights in a United Latvia (PCTVL) 6. The other twelve parties on the ballot failed to receive the five percent of the vote nationwide required to get in to Parliament. All seven of the parties which won seats are represented in the current Saeima, which also includes some independent members. Because of the complex mechanics for allocating seats to individuals on the party lists, it could be a week or more before we know exactly which individuals from the parties have been elected to the parliament. (See Ref A for details on the mechanics of the elections and ref B for synopses of the parties).

13. Because PM Aigars Kalvitis' People's Party won the most seats, it is likely that President Vike-Freiberga will offer him the first opportunity to form a government. With TP's current coalition parties ZZS and LPP the three would control 51 seats in the new parliament, one more than a majority. While it is possible that the current coalition would continue, it seems more likely that they would seek to bolster their majority by adding another party to the mix. The most likely new partner would be TB and its eight seats. Although TB is nationalist in its orientation, especially on issues related to Latvia's ethnic Russian community, its foreign policy is pro-NATO, pro-US and pro-EU and its economic policy was rated highest by mainline economists during the campaign. Even if the current coalition were expanded to include TB, we see no major changes in policy in the near term. Some ministers could change however as portfolios are reallocated among the parties to reflect the election results.

14. Other coalition arrangements would be possible by inviting New

Era into government. With 18 seats, it could supplant either ZZS or LPP and the coalition would still have a majority, but we view this possibility as unlikely. JL left government in April and criticized the remaining parties for being weak in efforts to fight corruption.

JL's walkout and subsequent rhetoric did not endear it to the other center-right parties and the chances of it being invited to join the coalition are small. If it were invited in, it is unlikely that JL would be offered the number and level of ministries commensurate with the results it achieved in the elections and we judge it unlikely they would come in on those terms.

¶5. The least likely coalition scenario would have either SC or PCTVL join the government, but despite SC's seeming success in attracting Latvian voters, we don't judge that Latvian politicians are ready for this. Moreover, SC and PCTVL's leftist platforms on domestic, social, economic, and foreign policy would make it very difficult to find agreement with the center-right parties on a government agenda.

Meanwhile, it is likely that PCTVL will have to do some internal thinking about what caused it to drop so much in popularity (it won 25 seats in the last election, although it fractured during the course of the four year term, , but pre-election polls consistently showed it as one of the top vote getters). SC will also need to do some internal thinking to more clearly define itself since its low pre-election poll numbers mean it was not subject to much press or NGO scrutiny. For example, its platform lacked any mention of foreign policy. Additionally, SC is a collection of several parties with sometimes varying interests and it will be interesting to see if they can hold together for the four year life of the parliament.

¶6. The new parliament will take its seats on November 7 and the current government will formally resign that day. Even if the coalition arrangements are completed by then, it is possible that the current ministerial arrangements will stay in place through the NATO summit November 28 - 29 to ensure continuity for that event.

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¶7. The voting on election day proceeded without incident. Embassy officers visited more than twenty five polling stations around the country and reported no problems. The OSCE/ODIHR mission reported that the elections were generally free and fair without any serious violations or irregularities. However, the turnout was down from the last elections in 2002 when nearly 71 percent of registered voters participated.

Bailey